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# Social Security for Members of the Clergy and Religious Workers

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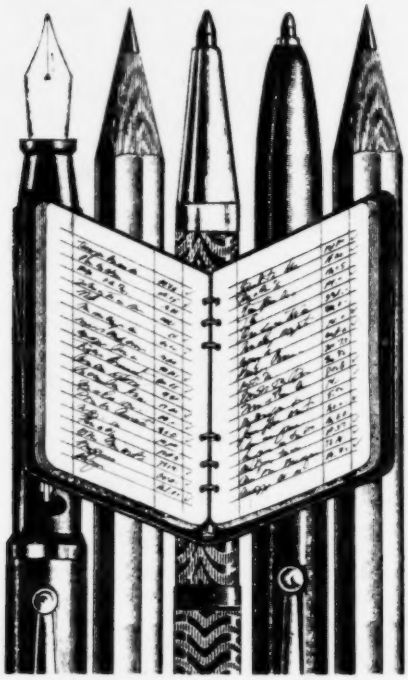
For use in preparing
**1980 Returns**



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## Introduction

This publication discusses social security coverage and self-employment tax for the clergy.

It also tells you how, as a member of the clergy (minister, member of a religious order, or Christian Science practitioner), to apply for an exemption from social security coverage if you did not elect coverage previously for years before 1968.

A discussion of net earnings from self-employment and of tax returns also is included.

## Social Security Coverage

Social security tax is collected under two separate tax systems. Under the Federal Insurance Contributions Act (FICA), half the tax is paid by the employee and the other half is paid by the employer. Under the Self-Employment Contributions Act, the total tax is paid by the self-employed person.

The earnings that you receive for performing services in the exercise of the ministry are subject to self-employment tax unless you are a member of a religious order who has taken a vow of poverty, or unless you request and receive from the Internal Revenue Service an exemption from self-employment tax. See *Exemption from Social Security Coverage*, later in this publication.

Although members of the clergy are treated as self-employed individuals or persons in the performance of their ministerial services for social security purposes, they may be treated as employees for other tax purposes. For example, a minister who is hired and paid by a church to perform services for it, subject to its right of control, is an employee of the church in the performance of those services. Form W-2 is the correct form to use to report the wages paid by the church to its employee, the minister. However, the minister is treated as self-employed for social security purposes and pays self-employment tax on the wages paid by the church.

It is possible for ministers who are employees of their churches to be self-employed in their performance of services outside their activities as employees. For example, a minister may receive amounts directly from members of the church (such as fees for performing marriages, baptisms, or other personal services) that are earnings from self-employment for all tax purposes.

### Ministers

As a duly ordained, commissioned, or licensed minister of a church you are covered by social security under the self-employment provisions for the services you perform in your capacity as a minister. For the specific services covered, see *Services to Which Coverage or Exemption Applies*, discussed later.

**A minister of the gospel** is an individual who is duly ordained, commissioned, or licensed to the pastoral ministry by action of a religious body constituting a church or church denomination and invested with authority to conduct religious worship, to perform sacerdotal functions, and to administer ordinances or sacraments according to the prescribed tenets and principles of that church or church denomination.

If a church or church denomination ordains some ministers of the gospel and licenses or commissions others, those licensed or commissioned must be able to perform substantially all of the religious functions of an ordained minister of the religious functions of an ordained minister of the denomination and must do so on a regular, full-time basis.

***As a commissioned or licensed unordained religious worker you do not qualify*** as a duly ordained, commissioned, or licensed minister of a church if you:

1) Are a member of a church or church denomination that provides for the ordination of ministers, and
2) Are ***not*** invested with the authority of an ordained minister.

### Members of Religious Orders

A member of a religious order (except one who has taken a vow of poverty as a member of the order) is covered by social security under the self-employment provisions applying to the services performed in the capacity as a member. For the specific services covered, see *Services to Which Coverage or Exemption Applies*, discussed later.

If you are a member of a religious order who has taken a vow of poverty, you are automatically exempt from the payment of self-employment tax on amounts earned for services performed as an agent of your order and for your church or an integral agency thereof. However, if you are paid to perform services for an organization other than the church or an integral agency thereof, you are treated as a regular employee of the organization for federal employment tax purposes. The amounts earned are subject to federal income tax withholding, social security, and federal unemployment tax and are not considered self-employment income.

Vow-of-poverty members performing services for the church or an integral agency thereof may be covered under social security if the order (or an autonomous subdivision thereof) irrevocably elects coverage for its current and future vow-of-poverty members and its lay employees (or has made a previous election covering its lay employees irrevocable). The religious order, or autonomous subdivision, elects coverage for its vow-of-poverty members by filing Form SS-16, *Certificate of Election of Coverage Under the Federal Insurance Contributions Act*. This coverage may also be elected for a limited retroactive period (up to 20 calendar quarters before the quarter in which the election certificate is filed) for certain vow-of-poverty members.

### Christian Science Practitioners and Readers

Christian Science practitioners are covered by social security under the self-employment

provisions that apply to their profession as Christian Science reader-practitioners.

**A Christian Science practitioner** is an individual who is a member in good standing of the Mother Church, The First Church of Christ, Scientist, in Boston, Massachusetts, who practices healing according to the teachings of Christian Science. Christian Science practitioners are specifically exempted from licensing by state laws. Some Christian Science practitioners also do work as Christian Science teachers or lecturers. Income they receive as teachers or lecturers is treated in the same manner as income from their work as practitioners.

***A Christian Science reader*** has the status of an ordained, commissioned, or licensed minister.

### Religious Workers

If you are a religious worker who does not come within one of the classes already discussed, you are not entitled to social security coverage under the self-employment provisions that apply to members of the clergy.

**Religious, charitable, and educational organizations.** Employees of these and similar organizations generally are not covered by social security unless the organization elects to be covered by the Federal Insurance Contributions Act. The organization may do this by filing an election certificate, Form SS-15, *Certificate Electing Social Security Coverage Under the Federal Insurance Contributions Act,* with the appropriate Internal Revenue Service Center. The filing of Form SS-15 certifies that the organization wants to have its employees covered. If such an election certificate is filed, social security coverage is given to:

1) Those employees who sign Form SS-15a, *List to Accompany Certificate on Form SS-15 Electing Social Security Coverage Under the Federal Insurance Contributions Act,* which is submitted with the election certificate,
2) Those employees who sign Form SS-15a Supplement, *Amendment to List on Form SS-15a Under the Federal Insurance Contributions Act,* which is filed within 24 months after the calendar quarter in which the election certificate is filed, indicating desire for social security coverage, and
3) Those persons who become employees of the organization after the calendar quarter in which the election certificate is filed.

### U.S. Citizens, Resident and Nonresident Aliens

Generally, social security coverage under the self-employment provisions for individuals who do not reside in the United States is limited to citizens or resident aliens of the United States. Nonresident aliens are not eligible for social security coverage under the self-employment provisions of the Internal Revenue Code.

**Residents of Puerto Rico, the Virgin Islands, Guam, and American Samoa,** who are not citizens of the United States, are not considered to be nonresident aliens for self-employment tax purposes. They are covered by social security, as discussed later under *Net Earnings from Self-Employment.*

## Exemption from Social Security Coverage

If you elected social security coverage for tax years ending before 1968, under the laws then in effect, you will continue to be covered. You cannot apply for an exemption after electing to be covered.

**Form 4361,** *Application for Exemption from Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners,* is filed to request exemption from social security coverage. This form includes a statement that, because of your religious principles, you are conscientiously opposed to accepting (for services performed as a member of the clergy) any public (governmental) insurance that makes payments in the event of death, disability, old age, or retirement, or makes payments toward the cost of, or provides services for, medical care, including the benefits of any insurance system established by the Social Security Act.

You do not have to be opposed to accepting public insurance for services you perform in a capacity other than as a minister, member of a religious order, or Christian Science practitioner.

If you file an application for exemption ***solely for economic reasons,*** you have not made a valid election. You must pay self-employment tax.

**To be eligible for the exemption,** a minister must be able to establish that the ordaining, commissioning, or licensing body qualifies as a tax-exempt religious organization. In addition, a minister must establish that the organization is a church or a convention or association of churches.

A member of the clergy also must meet either of the following two tests:

1) Religious principles test based on institutional principles and discipline of the particular religious denomination to which the individual belongs, or
2) Conscientious opposition test based on religious considerations of individual ministers, members of religious orders, and Christian Science practitioners (rather than opposition based on the general conscience of any such individuals).

Under either test, your opposition must be based on religious grounds.

**Where to file.** The application must be filed in triplicate with the Internal Revenue Service Center indicated in the instructions for Form 4361. If you have no legal residence in the United States, mail the application forms to the Internal Revenue Service Center, Philadelphia, PA 19255.

**When to file.** An application for exemption must be filed on or before one of the following dates, whichever is later:

1) The due date, including extensions, for filing your tax return for your second tax year ending after 1967; or
2) The due date, including extensions, for filing your tax return for the second tax year beginning after 1953 in which you have net earnings from self-employment of $400 or more, any part of which consists of payment—
   a) To you for the services you performed as a minister, or
   b) To you as a member of a religious order who has not taken the vow of poverty for services you performed as required by the order, or
   c) For the services you performed as a Christian Science practitioner.

***Example 1.*** Reverend Lawrence Jaeger, ordained in 1980, has net earnings as a clergyman of $400 or more in 1980 and 1981. He has until April 15, 1982, to file his application for exemption. However, if Reverend Jaeger does not receive an exemption by April 15, 1981, his self-employment tax for 1980 is due on or before that date.

The filing date stated in this example covers situations in which the clergyman has net earnings as a clergyman (plus any other self-employment earnings) of $400 or more in consecutive tax years. In some cases, the first and second years in which the clergyman has such earnings may not be consecutive tax years.

***Example 2.*** Reverend Jaeger has less than $400 of net earnings as a clergyman in 1981, but does meet the $400 requirement in 1980 and 1982. He has until April 15, 1983, to file his application for exemption. However, if Reverend Jaeger does not receive an exemption by April 15, 1981, his self-employment tax for 1980 is due on or before that date.

***Example 3.*** In 1978 Reverend Moss was ordained a minister and had over $400 in net earnings from his services as a minister. In 1979 Reverend Moss opened a book store. He received $500 for his services as a minister in 1979, but his related expenses were more than $500. Therefore, he had no net income from his services as a minister in 1979. In that year, his net self-employment earnings from the book store were $500. In 1980 Reverend Moss had net earnings of $100 from his self-employment as a minister and $350 net self-employment earnings from the book store. Because Reverend Moss had net earnings from self-employment in 1978 and 1980 that were more than $400 and part of the earnings in each of those years was for his services as a minister, he must file his application for exemption on or before the due date (including extensions) of his 1980 income tax return.

**Effective date of exemption.** A valid and timely filed exemption application, if approved, is effective for the first tax year after 1967 and for all following tax years in which you have $400 or more of net earnings from self-employment, part of which is for services as a member of the clergy.

***Example.*** Reverend Thomas Austin, ordained in 1979, has net income of $400 or more as a minister in 1979 and 1980. He files a valid application for exemption on February 12, 1980. If an exemption is granted, it is effective for 1979 and following years.

The exemption applies only to income from services as a member of the clergy. It does not apply to any other self-employment income or to wages.

**Exemption irrevocable.** Once an exemption from social security coverage is approved it cannot be revoked.

The right of an individual to file an application for exemption ceases upon death. Therefore, the surviving spouse, executor, or administrator may not file an application for exemption for a deceased member of the clergy.

# Services to Which Coverage or Exemption Applies

If you are covered by social security or if you have received an exemption from coverage, the coverage or the exemption applies only to the services discussed here.

## Ministers

Service you perform as a minister, priest, rabbi, etc., in the exercise of your ministry includes the ministration of sacerdotal functions and conducting of religious worship. It also includes the control, conduct, and maintenance of religious organizations (including the religious boards, societies, and other integral agencies of such organizations), under the authority of a religious body constituting a church or church denomination.

The control, conduct, and maintenance of a religious organization relates to directing, managing, or promoting the activities of the organization. A religious organization is considered under the authority of a religious body constituting a church or church denomination if it is organized and dedicated to carrying out the tenets and principles of a faith according to either the requirements or sanctions governing the creation of institutions of the faith.

Your service as a minister in the conduct of religious worship or the ministration of sacerdotal functions is in the exercise of your ministry regardless of whether it is performed for a religious organization.

Services you perform as a minister for an organization that is neither a religious organization nor operated as an integral agency of a religious organization are not in the exercise of your ministry unless such services are performed according to an assignment or designation by a religious body constituting your church.

However, the assigned or designated services must be of the kind that are ordinarily the duties of a minister and must be performed for, or on behalf of, the church by you as agent of the church.

Ordinarily, your services are not assigned or designated services for employment tax purposes if any of the following circumstances are present:

1) The organization for which you perform the services did not arrange with your church for your services,
2) You are performing services for the organization that other employees of the organization who have not been so designated are performing, or
3) You performed the same services before and after the designation.

If a church pays any amount toward your obligation for your income tax or self-employment tax, other than from your salary, this is additional income to you and must be included in your gross income and self-employment income.

The writing of religious books or articles is considered to be in the exercise of your ministry. The royalties or other income from the sale of books or articles qualify as self-employment income.

**Services you perform not in the exercise of your ministry.** The discussions on social security coverage and the exemption from coverage do not apply to any service you perform for an organization that is neither a religious organization nor operated as an integral agency of a religious organization if you do not perform that service according to an assignment or designation by your ecclesiastical superiors. In such cases, only the service you perform in the conduct of religious worship or the ministration of sacerdotal functions is in the exercise of your ministry.

Service you perform as a duly ordained, commissioned, or licensed minister of a church while employed by the United States, or a state, or possession of the United States, or the District of Columbia, or a foreign government, or a political subdivision of any of the foregoing, is not considered to be in the exercise of your ministry for these purposes. This is true even though the service may involve the ministration of sacerdotal functions or the conduct of religious worship.

For example, service performed by a chaplain in the Armed Forces of the United States is considered to be performed by a commissioned officer in this capacity, and not by a minister in the exercise of the ministry.

Likewise, service performed by a minister in a government owned and operated hospital is not considered to be an exercise of the ministry for federal employment tax purposes.

## Members of Religious Orders

Services performed by you as a member of a religious order (not under a vow of poverty) in the exercise of duties required by the order include all duties that you are directed or required to perform by your ecclesiastical superiors.

However, for employment outside the order to constitute the exercise of duties required by the order for employment tax purposes, the services you perform must be of the type that are ordinarily the duties of members of the order and must be performed as part of the duties that are required to be exercised for, or on behalf of, the religious order as its agent. Ordinarily, a religious order is not engaged in the performance of services as a principal when the legal relationship of employer and employee exists between the member and a third party with respect to the performance of the services. This is true even if the member has taken a vow of poverty.

If a member of a religious order is directed to perform services for another agency of the supervising church, or an associated institution, the member will be considered to be performing the services as an agent of the order.

***Example.*** Mark Brown and Elizabeth Green are members of a religious order and have taken vows of poverty. All claims to their earnings from personal industry are renounced and belong to the order.

Mark is licensed as an attorney in Kansas and was instructed by the superiors of the order to get a job with a law firm in Kansas. Mark joined a law firm and, as he requested, the firm made the salary payments directly to the order.

Elizabeth is an experienced secretary and was instructed by the superiors of the order to accept salaried employment with the local business office of the church that exercises general administrative supervision over the order. Elizabeth took the job in the church's business office and gave all her earnings from the church to the order.

Mark's services are not services in the exercise of duties required by the order and the amounts he earns are subject to federal income tax withholding, social security, and federal unemployment tax. Elizabeth's services are services performed in the exercise of duties required by the order.

## Christian Science Practitioners and Readers

Social security coverage or the exemption from such coverage, as discussed earlier, applies only to the services performed by a Christian Science practitioner or reader in the exercise of that profession.

# Net Earnings from Self-Employment

Generally, net earnings from self-employment mean the gross income from an individ-

ual's trade or business minus the allowable business deductions.

## Members of the Clergy

If you are a duly ordained, commissioned, or licensed minister, or a member of a religious order and have not taken the vow of poverty, or a Christian Science practitioner, your net earnings from self-employment include the gross income earned from the exercise of your ministry, the exercise of the duties required of you by the order, or the exercise of your profession as a Christian Science practitioner, minus the deductions related to the gross income.

Related deductions include:

1) Employee business expenses reported on line 24, Form 1040 (also see *Living abroad,* later), and
2) Unreimbursed business expenses allowed only as an itemized deduction on Schedule A (Form 1040), *Itemized Deductions.*

In addition to salaries and fees for your ministerial services, your net earnings from self-employment include offerings for marriages, baptisms, funerals, masses, etc., minus the deductions reported on Schedule C (Form 1040) that are related to the income. If the offering is made to the church, it is not included in your net earnings.

**Rental value or allowance.** You must include in your net income for ***self-employment tax purposes*** the fair rental value of a parsonage furnished to you or the rental allowance paid to you. You must also include the value of meals and lodging furnished in connection with services you perform in the exercise of your ministry or as a member of the order, even though these amounts are excluded from gross income for income tax purposes.

***A rental allowance paid to you as part of your compensation*** for your ministerial services, is excludable from your gross income to the extent that:

1) You use the compensation to rent or provide a home, and
2) The rental allowance does not exceed reasonable compensation for the services performed.

However, you must include the rental allowance in figuring your net earnings from self-employment.

A minister's surviving spouse will not be allowed to claim this exclusion from gross income unless the survivor also performs, or performed, ministerial services and the amount of the allowance is pay for those services.

If, as an ordained minister of the gospel, you own your own home and receive as part of your pay a rental allowance, you may exclude from gross income the smallest of the following:

1) The amount actually used to provide a home,
2) The amount officially designated as a rental allowance, or
3) The fair rental value of the home, including furnishings, and appurtenances, such as a garage, plus utilities.

Any rental allowance that is more than reasonable compensation or the fair rental value of the home plus utilities is includible in gross income.

**Amounts you contributed as a minister to an annuity plan,** set up for you by your church, that are not included in your gross income, are not taken into account in determining your net earnings from self-employment.

**Living abroad.** Certain foreign source earned income may be exempt from federal income tax if you are a U.S. citizen in a foreign country or U.S. possession. Publication 54, *Tax Guide for U.S. Citizens Abroad,* contains a complete discussion of the circumstances under which that income is exempt. You may get this free publication from the Office of International Operations, Internal Revenue Service, Washington, D.C. 20225, or from most U.S. Embassies or consulates.

If you are a U.S. citizen who is a duly ordained, commissioned, or licensed minister of a church, or a member of a religious order (other than one who has taken a vow of poverty) serving abroad and living in a foreign country, your net earnings from self-employment are figured under a special rule. Net earnings include income from the exercise of the ministry, or from the exercise of duties required by the religious order, determined without regard to the exclusion of income earned by employees in hardship area camps that may apply for income tax purposes.

If you qualify, you may be entitled to a deduction for excess foreign living costs. This deduction includes a cost-of-living differential, housing expenses, schooling expenses, home leave transportation expenses, and a hardship area amount. You are required to reduce your gross income from self-employment by any allowable excess foreign living cost deduction in arriving at net earnings. See Publication 54, *Tax Guide for U.S. Citizens Abroad.*

***A resident alien minister*** who performs ministerial services outside the United States, for a religious denomination that has its corporate headquarters in the United States, is subject to self-employment tax on income earned within and outside the United States, unless the minister has received an exemption from social security coverage.

***American Samoa, Guam, and the Virgin Islands*** are not considered possessions of the United States for self-employment tax purposes. Therefore, a U.S. citizen's income from the exercise of the ministry, the exercise of duties required by a religious order, or the exercise of the profession as a Christian Science practitioner on any of these islands is included in the computation of net earnings from self-employment.

**Pension payments or retirement allowances** a retired minister of a church receives for services performed in the exercise of the ministry are not net earnings from self-employment.

**Income tax withholding.** Although a minister's salary for service ***in the exercise of the ministry*** is not subject to income tax withholding, a minister may be able to enter into a voluntary withholding agreement with an employer to cover any income and self-employment tax that may be due.

## Husband and Wife Missionary Team

If a husband and wife are both duly ordained, commissioned, or licensed ministers of a church, and are engaged under an agreement that each is to perform specific services for which they are paid jointly or separately, the self-employment income must be divided between them according to the agreement.

**If the agreement is with the minister-husband only** and the minister-wife has no specific duties for which she is paid, amounts received for their services are included in only the husband's self-employment income. If they divided the income for self-employment tax purposes, an amended return should be filed, showing the entire amount as self-employment income of the husband. He is subject to the maximum limitation on self-employment income for each calendar year.

**A minister-missionary's wife who is not duly ordained,** commissioned, or licensed as a minister of a church may file a claim for refund of any self-employment tax paid in error for any years for which the statutory period of limitations on refunds has not expired (normally, within 3 years from the time the return was filed or 2 years from the time the tax was paid, whichever is later). Her earnings, in this case, should not be included in her husband's self-employment income. If the wife receives pay for performing services for the organization, she may be an employee of the organization for social security (FICA) purposes even though she is not a minister.

## Maximum Self-Employment Income

For 1980 the maximum self-employment income subject to social security tax is $25,900. If you had wages subject to social security tax, the maximum self-employment income is $25,900 minus the amount of those wages. For example, you have $1,000 of wages subject to social security tax during the tax year. Your self-employment income could not be more than $24,900.

## Optional Methods for Figuring Net Earnings from Self-Employment

You may be able to use an optional method for figuring your net earnings from ***nonfarm***

self-employment. If you have net earnings from farm self-employment, you may use the ***farm optional method.*** See Publication 533, *Self-Employment Tax.* If you have net earnings from both farm and nonfarm self-employment, you may qualify for both options. In general, the optional methods for figuring net earnings from self-employment are intended to permit continued coverage for social security self-employment tax purposes, even though your income for the tax year is low.

### Nonfarm Optional Method

You may use the nonfarm optional method if:

1) Your actual net earnings from nonfarm self-employment are less than $1,600,
2) Your net earnings from nonfarm self-employment are less than two-thirds of the sum of your gross income from all your nonfarm trades or businesses, and
3) You are self-employed ***on a regular basis.***

You are considered self-employed ***on a regular basis*** if you had actual net earnings from self-employment of $400 or more in at least 2 of the 3 consecutive tax years before the year that you elect to use this method.

You may ***not*** use the nonfarm optional method for more than 5 tax years during your lifetime.

If your gross income from all nonfarm trades and businesses is ***less than*** $2,400 and if your net earnings from your nonfarm self-employment are:

1) Less than $1,600, and
2) Less than two-thirds of your gross nonfarm profit, you may report two-thirds of the gross income from your nonfarm business as net earnings from self-employment.

If your gross income from all nonfarm trades and businesses is ***more than*** $2,400 and if your net earnings from nonfarm self-employment are:

1) Less than $1,600, and
2) Less than two-thirds of your gross nonfarm profit, you may report $1,600 as your net earnings from nonfarm self-employment.

For more information on self-employment and the farm and nonfarm optional methods, see Publication 533, *Self-Employment Tax.*

## Tax Returns

### Self-Employment Tax Returns

If you have not filed for and received an exemption from social security coverage for tax years after 1967, and have net earnings from self-employment of $400 or more in a tax year, as discussed under *Net Earnings from Self-Employment*, you must file an income tax return on Form 1040, even though you are not otherwise required to do so. Your self-employment tax is figured on Schedule SE (Form 1040).

For social security purposes, you figure your earnings from services as a member of the clergy as if you were self-employed, even though you may be performing those services as an employee.

**Form 1040SS.** Residents of the Virgin Islands, Guam, and American Samoa file Form 1040SS instead of Schedule SE. U.S. citizens residing in the Northern Mariana Islands on the last day of their tax year also must file Form 1040SS instead of Schedule SE.

**Formulario 1040-PR.** Residents of Puerto Rico who are not required to file a federal income tax return must file Formulario 1040-PR, or Form 1040SS if appropriate.

**Rate of tax.** For 1980 the self-employment tax rate is 8.1% on income up to $25,900.

**Joint return.** If you file a joint income tax return with your spouse and you both have self-employment income, you must each figure self-employment tax on your separate self-employment income, rather than on the sum of the two amounts. A separate Schedule SE must be filed by you and your spouse if you each have net self-employment income of at least $400. The computation of self-employment tax differs from the computation of income tax when a joint return is filed.

If one of you have net earnings of less than $400, those earnings are not subject to self-employment tax, even though you file a joint income tax return.

### When to File Tax Returns

If you file your income tax return on the calendar year basis, the due date for filing the return is April 15 of the next year. If you are abroad on April 15, the time for filing your return is automatically extended to June 15.

If you file your return on the fiscal year basis, it is due by the 15th day of the fourth month of your next tax year. If you are abroad on that date, the time for filing is extended to the 15th day of the sixth month of your next tax year.

If the 15th day of the applicable month falls on a Saturday, Sunday, or holiday, you have until the first day after the 15th that is not a Saturday, Sunday, or holiday.

If you take advantage of the extension, you must attach a statement to your return showing you were residing or traveling outside the United States on the due date. You must pay interest on the unpaid tax from the due date (April 15 if you file on the calendar year basis) until paid.

If you live in the United States, you may receive an extension for filing your return. This is done by filing Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.* The application must be filed, on or before the due date of the return, with the Internal Revenue Service Center for your area.

***Note.*** Your return is timely filed if it bears an official postmark dated no later than midnight of the last date for filing, including any extensions.

### Where to File Tax Returns

**Form 1040.** If you live in a foreign country or a U.S. possession, other than permanent residents of the Virgin Islands who have no legal residence or place of business in the United States and residents of Guam or the Northern Mariana Islands on the last day of their tax year, you should file your return with the Internal Revenue Service Center, Philadelphia, PA 19255. Those who are not certain of the place of their legal residence and who have no principal place of business in the United States may also file with the Internal Revenue Service Center in Philadelphia.

***If you are a resident of Guam*** on the last day of your tax year, file your income tax return with the Commissioner of Revenue and Taxation, Agaña, Guam 96910.

***If you are a resident of the Northern Mariana Islands*** on the last day of your tax year, file your return with the U.S. Internal Revenue Service, Saipan, Mariana Islands 96950.

***If you are a permanent resident of the Virgin Islands,*** you should file your return with the Department of Finance, Tax Division, Charlotte Amalie, St. Thomas, Virgin Islands 00801, even though your legal residence or principal place of business is located in the United States. However, if you are not a permanent resident of the Virgin Islands but maintain your legal residence or principal place of business there, you should file your return with the Internal Revenue Service Center, Philadelphia, PA 19255.

All others file according to instructions relating to preparation of Form 1040.

**Formulario 1040-PR and Form 1040SS.** Taxpayers living in Puerto Rico, Guam, or in U.S. possessions should file with the Internal Revenue Service Center, Philadelphia, PA 19255.

### Declaration of Estimated Tax

If you are a member of the clergy, you must file a declaration of estimated tax on Form 1040-ES and pay the estimated tax or the first installment by April 15 of any year in which you expect to owe income tax and self-employment tax of $100 or more. However, if you are abroad on April 15, the time for filing the declaration is automatically extended to June 15.

For more information on estimated tax, see Publication 505, *Tax Withholding and Estimated Tax.*

### Retirement Savings Arrangements

**Keogh (H.R.10) plans.** Although ministers, members of religious orders, Christian Science practitioners and readers, and certain

other common-law employees may treat their pay for services rendered as earnings from self-employment for social security purposes, this does not necessarily establish that they are self-employed for the purpose of participation in a qualified retirement plan that includes self-employed individuals.

For example, a minister employed by a congregation on a salaried basis is a common-law employee, not a self-employed individual, even though for social security purposes compensation is treated as net earnings from self-employment. On the other hand, amounts received directly from members of the congregation, such as fees for performing marriages, baptisms, or other personal services, represent earnings from self-employment.

Whether a particular individual is a common-law employee or is self-employed depends on all the facts and circumstances. For example, doctors of medicine and Christian Science practitioners are treated as being self-employed if they are not, in fact, common-law employees.

For more information on establishing a Keogh (H.R.10) plan, see Publication 560, *Tax Information on Self-Employed Retirement Plans.*

**Individual retirement arrangements (IRA's).** You may establish your own IRA if you are not covered under a qualified retirement plan (including H.R.10, government, or tax-exempt organization annuity plans).

You are allowed to make contributions to this program equal to 15% of your pay, or $1,500 each year, whichever is less. Contributions made to such a program generally are tax deductible. This will create a fund from which you will receive income during your retirement years. Income earned by the fund will not be taxable until it is distributed to you.

Publication 590, *Tax Information on Individual Retirement Arrangements,* discusses the general provisions for establishing an individual retirement arrangement, the types of programs available, and the filing requirements once a program is established.

## Comprehensive Example

Reverend Abner Hale is the minister of the First United Church. He is an employee of the church. The Reverend has not applied for an exemption from social security coverage. The church paid Reverend Hale a salary of $11,510 during the year. Reverend Hale made estimated tax payments totaling $3,300 during the year. The Reverend lives in the church's parsonage that has a fair rental value of $250 a month. The church separately paid Reverend Hale $100 a month for utility costs for the parsonage. Reverend Hale's utility bills averaged $80 a month. Even though the church does not withhold FICA taxes or federal income taxes (because Reverend Hale has not requested voluntary withholding of income tax), the church reports his salary on Form W-2. The W-2 that the Reverend received from the church shows the $11,510 as wages, tips, and other compensation. In addition to his salary, the Reverend received $1,900 during the year for weddings, baptisms, and honoraria that was not earned in his capacity as an employee of the church.

**On Form 1040,** illustrated later, Reverend Hale reports his salary of $11,510 plus $240, the excess utility allowance over utility costs. He deducts $600 for the 3,000 miles he used his car for his services as an employee of the church. The fair rental value of the parsonage is not included in income for income tax purposes.

The Reverend spent $47 during the year for magazines and books that he used in connection with his services as an employee of the church. The church did not repay him. The $47 may only be deducted as an itemized deduction on Schedule A (Form 1040). However, the Reverend does not file Schedule A to deduct the $47 because his itemized deductions are not more than his zero bracket amount of $2,300.

**On Schedule C (Form 1040)** Reverend Hale reports the $1,900 from weddings, baptisms, and honoraria. The Reverend's related expenses for the year were $55 for marriage and family booklets and $140 for 700 miles of business use of his automobile figured at the standard mileage rate of 20¢ a mile (mainly trips in connection with honoraria).

**On Schedule SE (Form 1040)** the Reverend ***does*** include the fair rental value of the parsonage ($3,000) plus his other income, including the entire $100 a month utility allowance, minus $600 for mileage expenses for regular church business. In addition, he deducts the $47 he paid for the books and magazines on Line 7.

Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **1980**

For Privacy Act Notice, see Instructions | For the year January 1–December 31, 1980, or other tax year beginning 1980, ending 19

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): Abner
Last name: Hale
Your social security number: 462 62 6594
Present home address (Number and street, including apartment number, or rural route): 801 Main Street
Spouse's social security no.:
City, town or post office, State and ZIP code: Anytown, Texas 77859
Your occupation ▶ Minister
Spouse's occupation ▶

**Presidential Election Campaign Fund**

Do you want $1 to go to this fund? ✓ Yes ___ No
If joint return, does your spouse want $1 to go to this fund? ___ Yes ___ No

**Note:** *Checking "Yes" will not increase your tax or reduce your refund.*

**Requested by Census Bureau for Revenue Sharing**

A Where do you live (actual location of residence)? (See page 2 of Instructions.) State: TX City, village, borough, etc.: Anytown
B Do you live within the legal limits of a city, village, etc.? ☐ Yes ☑ No
C In what county do you live? Town
D In what township do you live?

**Filing Status**

Check only one box.

1 ✓ Single
2 ___ Married filing joint return (even if only one had income)
3 ___ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ___ Head of household. (See page 6 of Instructions.) If qualifying person is your unmarried child, enter child's name ▶
5 ___ Qualifying widow(er) with dependent child (Year spouse died ▶ 19 ). (See page 6 of Instructions.)

For IRS use only

**Exemptions**

Always check the box labeled Yourself. Check other boxes if they apply.

6a ✓ Yourself ___ 65 or over ___ Blind
b ___ Spouse ___ 65 or over ___ Blind
Enter number of boxes checked on 6a and b ▶ 1
c First names of your dependent children who lived with you ▶
Enter number of children listed on 6c ▶

| d Other dependents: (1) Name | (2) Relationship | (3) Number of months lived in your home | (4) Did dependent have income of $1,000 or more? | (5) Did you provide more than one-half of dependent's support? |
|---|---|---|---|---|
| | | | | |
| | | | | |

Enter number of other dependents ▶
Add numbers entered in boxes above ▶ 1

7 Total number of exemptions claimed

**Income**

Please attach Copy B of your Forms W-2 here.

If you do not have a W-2, see page 5 of Instructions.

Please attach check or money order here.

| | | | |
|---|---|---|---|
| 8 | Wages, salaries, tips, etc. | 8 | 11,510 00 |
| 9 | Interest income (attach Schedule B if over $400) | 9 | |
| 10a | Dividends (attach Schedule B if over $400) , 10b Exclusion | | |
| c | Subtract line 10b from line 10a | 10c | |
| 11 | Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions) | 11 | |
| 12 | Alimony received | 12 | |
| 13 | Business income or (loss) (attach Schedule C) | 13 | 1,705 00 |
| 14 | Capital gain or (loss) (attach Schedule D) | 14 | |
| 15 | 40% of capital gain distributions not reported on line 14 (See page 9 of Instructions) | 15 | |
| 16 | Supplemental gains or (losses) (attach Form 4797) | 16 | |
| 17 | Fully taxable pensions and annuities not reported on line 18 | 17 | |
| 18 | Pensions, annuities, rents, royalties, partnerships, etc. (attach Schedule E) | 18 | |
| 19 | Farm income or (loss) (attach Schedule F) | 19 | |
| 20a | Unemployment compensation (insurance). Total received | | |
| b | Taxable amount, if any, from worksheet on page 10 of Instructions | 20b | |
| 21 | Other income (state nature and source—see page 10 of Instructions) ▶ Excess Utility Allowance | 21 | 240 00 |
| 22 | **Total income.** Add amounts in column for lines 8 through 21 ▶ | 22 | 13,455 00 |

**Adjustments to Income**

(See Instructions on page 10)

| | | | | |
|---|---|---|---|---|
| 23 | Moving expense (attach Form 3903 or 3903F) | 23 | | |
| 24 | Employee business expenses (attach Form 2106) | 24 | 600 00 | |
| 25 | Payments to an IRA (enter code from page 10 ) | 25 | | |
| 26 | Payments to a Keogh (H.R. 10) retirement plan | 26 | | |
| 27 | Interest penalty on early withdrawal of savings | 27 | | |
| 28 | Alimony paid | 28 | | |
| 29 | Disability income exclusion (attach Form 2440) | 29 | | |
| 30 | **Total adjustments.** Add lines 23 through 29 ▶ | | | 30 600 00 |

**Adjusted Gross Income**

31 **Adjusted gross income.** Subtract line 30 from line 22. *If this line is less than $10,000, see "Earned Income Credit" (line 57) on pages 13 and 14 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions* ▶ 31 12,855 00

**Tax Computation** (See Instructions on page 11)

| | | | |
|---|---|---|---|
| 32 | Amount from line 31 *(adjusted gross income)* | 32 | 12,855 00 |
| 33 | If you do not itemize deductions, enter zero<br>If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41 | 33 | -0- |
| | **Caution:** If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 11 of the Instructions. Also see page 11 of the Instructions if:<br>• *You are married filing a separate return and your spouse itemizes deductions, OR*<br>• *You file Form 4563, OR*<br>• *You are a dual-status alien.* | | |
| 34 | Subtract line 33 from line 32. Use the amount on line 34 to find your tax from the Tax Tables, or to figure your tax on Schedule TC, Part I<br>Use Schedule TC, Part I, and the Tax Rate Schedules ONLY if:<br>• *Line 34 is more than $20,000 ($40,000 if you checked Filing Status Box 2 or 5), OR*<br>• *You have more exemptions than are shown in the Tax Table for your filing status, OR*<br>• *You use Schedule G or Form 4726 to figure your tax.*<br>Otherwise, you MUST use the Tax Tables to find your tax. | 34 | 12,855 00 |
| 35 | Tax. Enter tax here and check if from ☑ Tax Tables or ☐ Schedule TC | 35 | 1,813 00 |
| 36 | Additional taxes. (See page 12 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, ☐ Form 5405, or ☐ Section 72(m)(5) penalty tax | 36 | |
| 37 | **Total.** Add lines 35 and 36 ▶ | 37 | 1,813 00 |

**Credits** (See Instructions on page 12)

| | | | | |
|---|---|---|---|---|
| 38 | Credit for contributions to candidates for public office | 38 | | |
| 39 | Credit for the elderly *(attach Schedules R&RP)* | 39 | | |
| 40 | Credit for child and dependent care expenses (attach Form 2441) | 40 | | |
| 41 | Investment credit *(attach Form 3468)* | 41 | | |
| 42 | Foreign tax credit *(attach Form 1116)* | 42 | | |
| 43 | Work incentive (WIN) credit *(attach Form 4874)* | 43 | | |
| 44 | Jobs credit *(attach Form 5884)* | 44 | | |
| 45 | Residential energy credits *(attach Form 5695)* | 45 | | |
| 46 | **Total credits.** Add lines 38 through 45 | | | 46 |
| 47 | **Balance.** Subtract line 46 from line 37 and enter difference (but not less than zero) ▶ | | | 47 1,813 00 |

**Other Taxes** (Including Advance EIC Payments)

| | | | |
|---|---|---|---|
| 48 | Self-employment tax *(attach Schedule SE)* | 48 | 1,358 00 |
| 49a | Minimum tax. Attach Form 4625 and check here ▶ ☐ | 49a | |
| 49b | Alternative minimum tax. Attach Form 6251 and check here ▶ ☐ | 49b | |
| 50 | Tax from recomputing prior-year investment credit *(attach Form 4255)* | 50 | |
| 51a | Social security (FICA) tax on tip income not reported to employer *(attach Form 4137)* | 51a | |
| 51b | Uncollected employee FICA and RRTA tax on tips *(from Form W-2)* | 51b | |
| 52 | Tax on an IRA *(attach Form 5329)* | 52 | |
| 53 | Advance earned income credit (EIC) payments received (from Form W-2) | 53 | |
| 54 | **Balance.** Add lines 47 through 53 ▶ | 54 | 3,171 00 |

**Payments** Attach Forms W-2, W-2G, and W-2P to front.

| | | | | |
|---|---|---|---|---|
| 55 | Total Federal income tax withheld | 55 | | |
| 56 | 1980 estimated tax payments and amount applied from 1979 return | 56 | 3,300 00 | |
| 57 | Earned income credit. If line 32 is under $10,000, see pages 13 and 14 of Instructions | 57 | | |
| 58 | Amount paid with Form 4868 | 58 | | |
| 59 | Excess FICA and RRTA tax withheld (two or more employers) | 59 | | |
| 60 | Credit for Federal tax on special fuels and oils *(attach Form 4136 or 4136-T)* | 60 | | |
| 61 | Regulated Investment Company credit *(attach Form 2439)* | 61 | | |
| 62 | **Total.** Add lines 55 through 61 ▶ | | | 62 3,300 00 |

**Refund or Balance Due**

| | | | |
|---|---|---|---|
| 63 | If line 62 is larger than line 54, enter amount **OVERPAID** ▶ | 63 | 129 00 |
| 64 | Amount of line 63 to be **REFUNDED TO YOU** ▶ | 64 | |
| 65 | Amount of line 63 to be applied to your 1981 estimated tax ▶ 65 129 00 | | |
| 66 | If line 54 is larger than line 62, enter **BALANCE DUE.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number on check or money order ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 15 of Instructions.) ▶ $ | 66 | |

**Please Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Abner Hale Date March 12, 1981 ▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

**Paid Preparer's Use Only**

Preparer's signature and date ▶ | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ | E.I. No. ▶ | ZIP code ▶

SCHEDULE C (Form 1040)
Department of the Treasury
Internal Revenue Service

# Profit or (Loss) From Business or Profession

(Sole Proprietorship)

Partnerships, Joint Ventures, etc., Must File Form 1065.

▶ Attach to Form 1040 or Form 1041. ▶ See Instructions for Schedule C (Form 1040).

1980
09

Name of proprietor: Abner Hale

Social security number of proprietor: 462 62 6594

A Main business activity (see Instructions) ▶ Minister ; product ▶ Service

B Business name ▶ First United Church

C Employer identification number

D Business address (number and street) ▶ 800 Main Street

City, State and ZIP Code ▶ Anytown, Texas 77259

E Accounting method: (1) ☑ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

C

F Method(s) used to value closing inventory:

(1) ☐ Cost (2) ☐ Lower of cost or market (3) ☐ Other (if other, attach explanation)

| | Yes | No |
|---|---|---|
| G Was there any major change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation. | | |
| H Did you deduct expenses for an office in your home? | | ✓ |
| I Did you elect to claim amortization (under section 191) or depreciation (under section 167(o)) for a rehabilitated certified historic structure (see Instructions)? (Amortizable basis (see Instructions) ▶ ) | | |

## Part I Income

| | | | |
|---|---|---|---|
| 1 a Gross receipts or sales | 1a | | |
| b Returns and allowances | 1b | | |
| c Balance (subtract line 1b from line 1a) | | 1c | |
| 2 Cost of goods sold and/or operations (Schedule C–1, line 8) | | 2 | |
| 3 Gross profit (subtract line 2 from line 1c) | | 3 | |
| 4 Other income (attach schedule) $1,900. offerings for marriages, baptisms, and honoraria | | 4 | 1,900 00 |
| 5 Total income (add lines 3 and 4) ▶ | | 5 | 1,900 00 |

## Part II Deductions

| | | | |
|---|---|---|---|
| 6 Advertising | | 31 a Wages | |
| 7 Amortization | | b Jobs credit | |
| 8 Bad debts from sales or services | | c WIN credit | |
| 9 Bank charges | | d Total credits | |
| 10 Car and truck expenses | | e Subtract line 31d from 31a | |
| 11 Commissions | | 32 Other expenses (specify): | |
| 12 Depletion | | a Marriage & family booklets | 55 00 |
| 13 Depreciation (explain in Schedule C–2) | | b Car - 700 mi @ 20¢ | 140 00 |
| 14 Dues and publications | | c | |
| 15 Employee benefit programs | | d | |
| 16 Freight (not included on Schedule C–1) | | e | |
| 17 Insurance | | f | |
| 18 Interest on business indebtedness | | g | |
| 19 Laundry and cleaning | | h | |
| 20 Legal and professional services | | i | |
| 21 Office supplies | | j | |
| 22 Pension and profit-sharing plans | | k | |
| 23 Postage | | l | |
| 24 Rent on business property | | m | |
| 25 Repairs | | n | |
| 26 Supplies (not included on Schedule C–1) | | o | |
| 27 Taxes | | p | |
| 28 Telephone | | q | |
| 29 Travel and entertainment | | r | |
| 30 Utilities | | s | |

| | | |
|---|---|---|
| 33 Total deductions (add amounts in columns for lines 6 through 32s) ▶ | 33 | 195 00 |
| 34 Net profit or (loss) (subtract line 33 from line 5). If a profit, enter on Form 1040, line 13, and on Schedule SE, Part II, line 5a (or Form 1041, line 6). If a loss, go on to line 35 | 34 | 1,705 00 |

35 If you have a loss, do you have amounts for which you are not "at risk" in this business (see Instructions)? ☐ Yes ☐ No

**SCHEDULE SE (Form 1040)**
Department of the Treasury
Internal Revenue Service

# Computation of Social Security Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

**1980**
23

Name of self-employed person (as shown on social security card): Abner Hale

Social security number of self-employed person ▶ 462 62 6594

## Part I Computation of Net Earnings from FARM Self-Employment

**Regular Method**

| | | | |
|---|---|---|---|
| 1 Net profit or (loss) from: | | | |
| a Schedule F (Form 1040) | 1a | | |
| b Farm partnerships | 1b | | |
| 2 Net earnings from farm self-employment (add lines 1a and 1b) | 2 | | |

**Farm Optional Method**

| | | | |
|---|---|---|---|
| 3 If gross profits from farming are: | | | |
| a Not more than $2,400, enter two-thirds of the gross profits | 3 | | |
| b More than $2,400 and the net farm profit is less than $1,600, enter $1,600 | | | |
| 4 Enter here and on line 12a, the amount on line 2, or line 3 if you elect the farm optional method | 4 | | |

## Part II Computation of Net Earnings from NONFARM Self-Employment

SE

**Regular Method**

| | | | |
|---|---|---|---|
| 5 Net profit or (loss) from: | | | |
| a Schedule C (Form 1040) | 5a | 1,705 | 00 |
| b Partnerships, joint ventures, etc. (other than farming) | 5b | | |
| c Service as a minister, member of a religious order, or a Christian Science practitioner. (Include rental value of parsonage or rental allowance furnished.) If you filed Form 4361 and have not revoked that exemption, check here ▶ ☐ and enter zero on this line | 5c | 15,110 | 00 [1] |
| d Service with a foreign government or international organization | 5d | | |
| e Other (specify) ▶ | 5e | | |
| 6 Total (add lines 5a through 5e) | 6 | 16,815 | 00 |
| 7 Enter adjustments if any (attach statement, see page 29 of Instructions) | 7 | < 47 | 00 [2] |
| 8 Adjusted net earnings or (loss) from nonfarm self-employment (line 6, as adjusted by line 7) | 8 | 16,768 | 00 |

Note: *If line 8 is $1,600 or more or if you do not elect to use the Nonfarm Optional Method, skip lines 9 through 11 and enter amount from line 8 on line 12b.*

**Nonfarm Optional Method**

| | | | |
|---|---|---|---|
| 9 a Maximum amount reportable under both optional methods combined (farm and nonfarm) | 9a | $1,600 | 00 |
| b Enter amount from line 3. (If you did not elect to use the farm optional method, enter zero.) | 9b | | |
| c Balance (subtract line 9b from line 9a) | 9c | | |
| 10 Enter two-thirds of gross nonfarm profits or $1,600, whichever is smaller | 10 | | |
| 11 Enter here and on line 12b, the amount on line 9c or line 10, whichever is smaller | 11 | | |

## Part III Computation of Social Security Self-Employment Tax

| | | | |
|---|---|---|---|
| 12 Net earnings or (loss): | | | |
| a From farming (from line 4) | 12a | | |
| b From nonfarm (from line 8, or line 11 if you elect to use the Nonfarm Optional Method) | 12b | 16,768 | 00 |
| 13 Total net earnings or (loss) from self-employment reported on lines 12a and 12b. **(If line 13 is less than $400, you are not subject to self-employment tax. Do not fill in rest of schedule)** | 13 | 16,768 | 00 |
| 14 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement taxes for 1980 is | 14 | $25,900 | 00 |
| 15 a Total "FICA" wages (from Forms W-2) and "RRTA" compensation — 15a | | | |
| b Unreported tips subject to FICA tax from Form 4137, line 9 or to RRTA — 15b | | | |
| c Add lines 15a and 15b | 15c | -0- | |
| 16 Balance (subtract line 15c from line 14) | 16 | 25,900 | 00 |
| 17 Self-employment income—line 13 or 16, whichever is smaller | 17 | 16,768 | 00 |
| 18 Self-employment tax. (If line 17 is $25,900, enter $2,097.90; if less, multiply the amount on line 17 by .081.) Enter here and on Form 1040, line 48 | 18 | 1,358 | 00 |

[1] Salary of $11,510 minus $600.00 mileage for church business (3,000 mi @ 20¢) + $3,000.00 rental value of parsonage + $1,200 utility allowance = $15,110.

[2] Unreimbursed expenses - Books and magazines $ 47.00

Form **2106**
Department of the Treasury
Internal Revenue Service

# Employee Business Expenses

**(Please use Form 3903 to figure moving expense deduction.)**
▶ **Attach to Form 1040.**

**1980**

Your name: Abner Hale
Social security number: 462 62 6594
Occupation in which expenses were incurred: Minister
Employer's name: First United Church
Employer's address: 800 Main St., Anytown, Texas 77859

## Instructions

Use this form to show your business expenses as an employee during 1980. Include amounts:

- You paid as an employee.
- You charged to your employer (such as by credit card).
- You received as an advance, allowance, or repayment.

Several publications, available from IRS, give more information about business expenses:

**Publication 463,** *Travel, Entertainment, and Gift Expenses.*
**Publication 529,** *Miscellaneous Deductions.*
**Publication 587,** *Business Use of Your Home.*
**Publication 508,** *Educational Expenses.*

**Part I.**—You can deduct some business expenses even if you do not itemize your deductions on Schedule A (Form 1040). Examples are expenses for travel (except commuting to and from work), meals, or lodging. List these expenses in Part I and use them in figuring your adjusted gross income on Form 1040, line 31.

*Line 2.*—You can deduct meals and lodging costs if you were on a business trip away from your main place of work. Do not deduct the cost of meals you ate on one-day trips, when you did not need sleep or rest.

*Line 3.*—If you use your own car in your work, you can deduct the cost of the business use. Enter the cost here after figuring it in Parts IV, V, and VI. Base the cost on your actual expenses (such as gas, oil, repairs, depreciation) or on a mileage rate.

The mileage rate is 20 cents a mile up to 15,000 miles. After that, or for all business mileage on a fully depreciated car, the rate is 11 cents a mile. A car whose cost is being figured under the mileage rate is considered to have a useful life of 5 years. If in any year actual expenses are claimed using a useful life of less than 5 years, use of the mileage rate after that shorter useful life will be limited to 11¢ per mile. (For depreciation, see **Publication 463.**)

Figure your mileage rate amount and add it to the business part of what you spent on the car for parking fees, tolls, interest, and State and local taxes (except gasoline tax).

*Line 4.*—If you were an outside salesperson with other business expenses, list them on line 4. Examples are selling expenses or expenses for stationery and stamps. An outside salesperson does all selling outside the employer's place of business. A driver-salesperson whose main duties are service and delivery, such as delivering bread or milk, is not an outside salesperson. (For outside salesperson, see **Publication 463.**)

*Line 5.*—Show other business expenses on line 5 if your employer repaid you for them. If you were repaid for part of them, show here the amount you were repaid. Show the rest in Part II.

**Part II.**—You can deduct other business expenses only if (a) your employer did not repay you, and (b) you itemize your deductions on Schedule A (Form 1040). Report these expenses here and under Miscellaneous Deductions on Schedule A. Examples are union or professional dues and expenses for tools and uniforms. (For details, see **Publication 529.**)

You can deduct expenses for business use of the part of your home that you exclusively and consistently use for your work. If you are not self-employed, your working at home must be for your employer's convenience. (For business use of home, see **Publication 587.**)

If you show education expenses in Part I or Part II, you must fill out Part III.

**Part III.**—You can deduct the cost of education that helps you keep or improve your skills for the job you have now. This includes education that your employer, the law, or regulations require you to get in order to keep your job or your salary. Do not deduct the cost of study that helps you meet the basic requirements for your job or helps you get a new job. (For education expenses, see **Publication 508.**)

**Part V.**—If you trade in a car you used in business for a new one you also used in business, fill out lines 1 through 15. If you paid cash for the new car or traded in a car not used in business, fill out only lines 10 through 15. Refigure the basis for depreciation each year in the future that your percentage of business use changes.

## PART I.—Employee Business Expenses Deductible in Figuring Adjusted Gross Income on Form 1040, Line 31

| | |
|---|---|
| 1 Fares for airplane, boat, bus, taxicab, train, etc. | |
| 2 Meals and lodging | $ 600.00 |
| 3 Car expenses (from Part IV, line 21) | |
| 4 Outside salesperson's expenses (see Part I instructions above) ▶ | |
| 5 Other (see Part I instructions above) ▶ | |
| 6 Add lines 1 through 5 | $ 600.00 |
| 7 Employer's payments for these expenses if not included on Form W-2 | |
| 8 Deductible business expenses (subtract line 7 from line 6). Enter here and include on Form 1040, line 24 | $ 600.00 |
| 9 Income from excess business expense payments (subtract line 6 from line 7). Enter here and include on Form 1040, line 21 | |

## PART II.—Employee Business Expenses that are Deductible Only if You Itemize Deductions on Schedule A (Form 1040)

| | |
|---|---|
| 1 Business expenses not included above (list expense and amount) ▶ Magazines and Books - $47.00 | $ 47.00 |
| 2 Total. Deduct under Miscellaneous Deductions, Schedule A (Form 1040) | $ 47.00 |

## PART III.—Information About Education Expenses Shown in Part I or Part II

1 Name of educational institution or activity ▶
2 Address ▶
3 Did you need this education to meet the basic requirements for your job? ☐ Yes ☐ No
4 Will this study program qualify you for a new job? ☐ Yes ☐ No
5 If your answer to question 3 or 4 is No, explain (1) why you are getting the education and (2) what the relationship was between the courses you took and your job. (If you need more space, attach a statement.) ▶
6 List your main subjects, or describe your educational activity ▶

## PART IV.—Car Expenses (Use either your actual expenses or the mileage rate)

| | Car 1 | Car 2 | Car 3 |
|---|---|---|---|
| A. Number of months you used car for business during 1980 | 12 months | months | months |
| B. Total mileage for months in line A | 12,000 miles | miles | miles |
| C. Business part of line B mileage | 3,000 miles | miles | miles |
| **Actual Expenses** (Include expenses for only the months shown in line A, above.) | | | |
| 1 Gasoline, oil, lubrication, etc. | | | |
| 2 Repairs | | | |
| 3 Tires, supplies, etc. | | | |
| 4 Other: (a) Insurance | | | |
| (b) Taxes | | | |
| (c) Tags and licenses | | | |
| (d) Interest | | | |
| (e) Miscellaneous | | | |
| 5 Total (add lines 1 through 4(e)) | | | |
| 6 Business percentage of car use (divide line C by line B, above) | % | % | % |
| 7 Business part of car expense (multiply line 5 by line 6) | | | |
| 8 Depreciation (from Part VI, column (h)) | | | |
| 9 Divide line 8 by 12 months | | | |
| 10 Multiply line 9 by line A, above | | | |
| 11 Total (add line 7 and line 10; then skip to line 19) | | | |

**Mileage Rate**

| | |
|---|---|
| 12 Enter the smaller of (a) 15,000 miles or (b) the combined mileages from line C, above | 3,000 miles |
| 13 Multiply line 12 by 20¢ (11¢ if car is fully depreciated) and enter here | $ 600.00 |
| 14 Enter any combined mileage from line C that is over 15,000 miles | miles |
| 15 Multiply line 14 by 11¢ and enter here | |
| 16 Total mileage expense (add lines 13 and 15) | $ 600.00 |
| 17 Business part of car interest and State and local taxes (except gasoline tax) | |
| 18 Total (add lines 16 and 17) | $ 600.00 |

**Summary:**

| | |
|---|---|
| 19 Enter amount from line 11 or line 18, whichever you used | $ 600.00 |
| 20 Parking fees and tolls | |
| 21 Total (add lines 19 and 20). Enter here and in Part I, line 3 | $ 600.00 |

## PART V.—Basis for Depreciation of Car Used in Business (See instructions on front)

**Trade-in of Old Car:**

| | |
|---|---|
| 1 (a) Total mileage at trade-in | miles |
| (b) Business mileage | miles |
| (c) Business percentage (divide line (b) by line (a)) | % |
| 2 Purchase price or other basis | |
| 3 Trade-in allowance | |
| 4 Difference (subtract line 3 from line 2) | |
| 5 Multiply line 4 by percentage on line 1(c) | |
| 6 Gain or (loss) on previous trade-in | |
| 7 Balance of lines 5 and 6 (subtract gain or add (loss)) | |
| 8 Depreciation allowed or allowable | |
| 9 Gain or (loss) on business part (Subtract line 7 from line 8 for gain; or line 8 from line 7 for (loss)) | |

**New Car:**

| | |
|---|---|
| 10 Purchase price or other basis | |
| 11 Estimated salvage value | |
| 12 Difference (subtract line 11 from line 10) | |
| 13 Multiply line 12 by the percentage on line 6 of Part IV | |
| 14 Enter gain or (loss) from line 9 | |
| 15 Basis for depreciation (Balance of lines 13 and 14: subtract gain or add (loss)) | |

## PART VI.—Car Depreciation

| Make and model of car (a) | Date acquired (b) | Basis (from line 15, Part V) (c) | Age of car when acquired (d) | Depreciation allowed in previous years (e) | Method of figuring depreciation (f) | Rate (%) or life (years) (g) | Depreciation this year (h) |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
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